

1971 – 2011  
40 YEARS MARKETING NEW ZEALAND OVERSEAS



# ANNUAL REPORT 2011



# TABLE OF CONTENTS

<b>1</b>	<b>Board of Directors and Secretariat</b>
<b>2</b>	<b>ITOC Board Strategy Groups</b>
<b>3</b>	<b>President's Report</b>
<b>4</b>	<b>Chief Executive's Report - The Year in Review</b>
<b>9</b>	<b>Annual Accounts Financial Statements (for year ended 31 March 2011) including:</b>
<b>10</b>	<b>Auditor's Report</b>
<b>11</b>	<b>Statement of Financial Performance</b>
<b>12</b>	<b>Statement of Movement in Equity</b>
<b>13</b>	<b>Statement of Financial Position</b>
<b>16</b>	<b>ITOC Distribution System</b>
<b>IBC</b>	<b>Ten Reasons For Using an Inbound Tour Operator</b>

ITOC was Founded in	1971
Full Member Tour Operators	38
Allied Supplier Members as at 31 March 2011	192

## **OUR MISSION:**

To unite all inbound tour operators for the purpose of marketing New Zealand as an internationally competitive tourist destination by promoting and arranging inbound travel of the highest standards through encouragement of development of services, facilities, training and education.

# 2010/2011 ITOC BOARD AND SECRETARIAT

**Left to right - back row:** Anna Black, Paul Yeo (Chief Executive), Vance Boyd, Michael Hall, Jenny Simpson, Scott Wallace

**Front row:** Dominic Cheng, Stephen Ecclestone, Brian Henderson, Geoff Yee, Martin Horgan

**Absent:** Grant Lilly, Stuart Neels, Stewart Brown



## PRESIDENT

Brian Henderson  
Chief Executive Officer  
Tourmasters South Pacific  
AUCKLAND

## VICE PRESIDENT

Martin Horgan  
Managing Director  
Southern World NZ Ltd  
CHRISTCHURCH

## VICE PRESIDENT

Stewart Brown  
Central North Island Regional Manager  
Ngai Tahu Tourism, Rainbow Springs  
ROTORUA

## REPRESENTING FULL TOUR OPERATOR MEMBERS

### Brian Henderson (President)

Chief Executive Officer  
Tourmasters South Pacific  
AUCKLAND

### Stephen Ecclestone

Senior Contract Manager NZ  
GTA by Travelport  
AUCKLAND

### Stuart Neels

Managing Director  
ATS Pacific  
AUCKLAND

### Anna Black

General Manager  
General Travel NZ  
AUCKLAND

### Michael Hall

General Manager  
Southern Travelnet  
AUCKLAND

### Geoff Yee

Managing Director  
GSN Travel  
AUCKLAND

### Dominic Cheng

Director  
Winchester Travel  
AUCKLAND

### Martin Horgan

Managing Director  
Southern World NZ Ltd  
CHRISTCHURCH

## REPRESENTING ALLIED MEMBER SUPPLIERS

### Vance Boyd

Managing Director  
Kiwi Discovery

### Scott Wallace

Director Operations South Island  
Millennium Hotels & Resorts  
CHRISTCHURCH

### Stewart Brown (Vice President)

Central North Island Regional Manager  
Ngai Tahu Tourism, Rainbow Springs  
ROTORUA

## CO-OPTED BOARD MEMBERS

### Grant Lilly

Regional General Manager  
New Zealand & Pacific  
Qantas Airways  
AUCKLAND

### Jenny Simpson

International Marketing &  
Tourism Development Manager  
Air New Zealand  
AUCKLAND

## LIFE MEMBERS

**Keith Johnston**  
AUCKLAND

**Blair Sheehy**  
AUCKLAND

**Russell White**  
AUCKLAND

**Michael Wiedemann**  
AUCKLAND

**Peter Lowry**  
WELLINGTON

# ITOC BOARD STRATEGY GROUPS



## SECRETARIAT

**Chief Executive**  
Lesley Immimik

**Executive Officer**  
Charlie Ives

**Accountant**  
Tarsha Triplow

**Address**  
Level 3  
Tourism and Travel House  
79 Boulcott Street, PO Box 1888, DX SX10033  
WELLINGTON

Phone: 04 496 4898  
Fax: 04 499 0786  
Email: info@itoc.org.nz  
Website: www.itoc.org.nz

**Auditor**  
Grant Thornton  
Chartered Accountants

Level 13, AXA Centre  
80 The Terrace  
PO Box 10712  
WELLINGTON  
Phone: 04 474 8500  
Fax: 04 474 8509

**Solicitor**  
A R (Andy) Marshall, LLB (HONS)  
Gault Mitchell and Co.

PO Box 645  
WELLINGTON  
Phone: 04 472 5074  
Fax: 04 471 0835  
Email: arm@gaultmitchell.co.nz

**Bankers**  
National Bank of New Zealand  
WELLINGTON

# PRESIDENT'S REPORT

BRIAN  
HENDERSON



As ITOC President I am pleased to present my fourth annual report.

The past four years has been full of challenges for our industry that our members look for assistance with. We have had Swine Flu, Eyjafjallajökull, the Global Financial Crisis, the rising New Zealand dollar and then in September 2010 and February 2011, the industry was further challenged with the Christchurch and Canterbury earthquakes. The devastating loss of life, the Christchurch CBD and Eastern suburbs, and many of our international hotels has given us 'pause' to reflect.

Tourism New Zealand and inbound operators have been frustrated with international media who failed to explain that it is only the Christchurch CBD that is the most affected and not all of New Zealand. This sensationalised reporting resulted in not only visitors who were coming to New Zealand cancelling, but potential visitors putting off their travel to New Zealand for the coming year. Despite everything the world can throw at us, the industry and ITOC members continue to adapt and stay strong. Although times are still tough we are ready to give all visitors to New Zealand a quality and rewarding visit and thank members for their assistance with delivering on this promise.

The issues surrounding the increase of GST in October 2010 to 15% was yet another factor that inbound operators had to contend with. The short lead in time and no ability to recoup losses created difficulties that in some instances, we are still managing. This combined with the non-zero rating of GST on facilitation fees has really stretched the industry at a time when they are already faced with numerous challenges. The fact that tourism is the only export industry that pays GST still appears not to be understood by many in the political arena.

Later in the year, ITOC intends to commission a quantitative survey on the economic impact that inbound operators contribute to the economy and will be asking for all members' participation. The results of this important survey will give us real data that we'll present to Government with the hope of galvanising them to re-look at the zero rating of GST on facilitation fees.

The other on-going issue is that of DoC 'guiding' concessions. The new DoC/BCA concession established in July 2010 which allows coaches access onto the DoC estate (with no guiding services) has been working very well. At the recent meeting between ITOC and DoC in March 2011, DoC presented their standard concession as the negotiation option for ITOC full members. The sub-committee were expecting a similar arrangement to the BCA model as administratively it is easy to implement and monitor. The standard concession model has the potential to being labour intensive for inbound operators to manage and has unrealistic costs associated with it. A moratorium for inbound operators was granted by DoC for the 2010/2011 season with the goal of getting an agreement for the upcoming season. Further discussions are ongoing and DoC will attend the full member forum at the ITOC Conference in Tauranga.

ITOC continues to have strong working relationships with both TIANZ and TNZ. TIA works closely with ITOC on key issues and in the past year have been supportive in assisting us with the GST challenges and facilitating the UK-APD departure tax submission to the UK Treasury.

Acknowledging that TNZ has to carefully manage its limited resources ITOC continues to lobby for higher priority to promote joint venture initiatives between the private sector and government. Kevin Bowler and his team at TNZ are developing a 'digital marketing strategy' that we are hopeful will deliver good conversion to all members despite the social media and online travel wholesalers eroding the traditional distribution channels and profitability.

Despite the financial challenges all our businesses are under, the total allied membership decreased by a few members but we are pleased that full membership has risen. It has also been pleasing to see strong interest from our members wishing to contribute their time and experience on the ITOC board. So again this year we have an election for full members and also allied representation.

For ITOC to remain a strong organisation it must remain relevant to its members and responsive to their needs, in particular given the changes in distribution that are happening in this electronic age. It must take advantage of the technology and demonstrate leadership to the industry. One initiative the Board has for the upcoming year is a name change for ITOC that better reflects our value to the industry and New Zealand economy. Additionally, we hope to establish a 'young ITOC' organisation that can provide succession planning with business skills and mentoring. With the strategic review of its role in the tourism industry, ITOC remains your strong advocate at the business end of Tourism.

In late 2010 Chief Executive Paul Yeo was appointed as the General Manager, Tourism Operations for Tourism New Zealand. The Board accepted his resignation with regret but would like to acknowledge and thank Paul for the outstanding job he has done for ITOC and the industry. Thank you Paul and a great opportunity for you!

The Board appointed Lesley Imrink who brings a wealth of knowledge and experience of the tourism industry to the role. This includes establishing a successful inbound tour company, NZ Educational Tours (NZET) in the early 1990s, which she sold in 2006. Lesley also has experience in teaching tourism and hospitality at secondary and tertiary levels and her range of experience and networking abilities will add value to ITOC and the organization.

Finally, I must give thanks to the ITOC board for the last twelve months for the input and support that they have given ITOC and myself as President. I would like to acknowledge and thank Board Member Michael Hall, who is not standing this year for his contribution to the Board. For myself, after four years as President, I am looking forward to remaining as the 'ex officio' advisor to the board and will continue to support the Board and incoming new President.

I would also like to thank Charlie Ives and Anne Reid for their support over the past year and particularly during the transition period before the new Chief Executive was appointed.

I look forward to catching up with you all at Conference 2011 in Tauranga and we can discuss the way forward for ITOC and improved profitability of New Zealand's largest tourism export industry.

A handwritten signature in black ink, appearing to read 'B Henderson'.

# CHIEF EXECUTIVES REPORT – THE YEAR IN REVIEW

**LESLEY  
IMMINK**



I am pleased to present my first report as Chief Executive of ITOC.

This past year has been another difficult trading year for our members. The ripple effects of the Global Financial Crisis affected overseas visitor numbers from most of our markets and placed the tourism industry under a great deal of stress. The September 2010 Christchurch earthquake was a reminder that while trading times are difficult, Mother nature can remind us of how fortunate we are. In February 2011, Christchurch and Canterbury region suffered another major earthquake which devastated the CBD and eastern suburbs, with the loss of the majority of Christchurch's international hotels. It may take several years to recover the loss of major accommodation providers in Christchurch and inbound operators have had to adapt their itineraries in order to retain the business they had in forthcoming months.

The rise in GST in October 2010 from 12.5% to 15% contributed to an already challenging year with the zero rating of gst on 'facilitation fees' still left unresolved. It leaves the inbound tour industry in a precarious position but ITOC plans to contract a quantitative economic impact report on the contribution of inbound operators to the economy.

The following report provides more details on these issues as well as other areas of activity during the year:

## FINANCE

This year annual membership fees increased slightly. The Allied membership fee went from \$680 to \$700+gst. (2.9%) Membership fees for full inbound tour operators went from \$2420 to \$2490+gst (2.9%). This fee continues to include TIA membership fees and the annual Qualmark licence fee. The entrance/application fee for all new members is \$100 + gst.

Subscription income increased from \$211,317 in the 2009/2010 financial year to \$217,415 in the 2010/2011 year.

Conference revenue coupled with investment returns brought our total income to \$279,314, down on the previous year's \$283,858.

Total expenditure amounted to \$262,050, up \$16,000 on the previous year. This is directly related to the Qualmark

subscriptions. Last year was the first year of compulsory subscriptions and there was only three months of expense in the accounts. This year had a full year which makes the \$16,000 increase. The overall surplus was \$15,619, although a decrease from the \$36,986 surplus in 2010 which relates to Qualmark subscriptions.

Net assets now stand at \$186,223 with the Association being in a good financial position at March 2011.

## STRATEGIC FOCUS

In the past year we have seen good progress having the Prime Minister as Minister of Tourism and senior Minister Jonathan Coleman as the Associate. With the Prime Minister responsible for the Tourism portfolio, it is recognition of the importance tourism plays in our economy and the opportunities that lie ahead. ITOC continues to work closely with TIA to keep core issues top of minds with Government and other relevant politicians.

Key issues include:

- Zero rating of GST on inbound tour operator facilitation fees
- Increase of GST from 12.5% to 15%
- More marketing for new and emerging markets
- Department of Conservation 'guiding' concessions with inbound operators
- Improved understanding of the value of tourism to the New Zealand Economy

ITOC considered it unfair that inbound tour operators that are owned offshore could still zero rate the facilitation fee on their New Zealand packages making it difficult for locally owned companies to compete.

The increase of GST from 12.5 percent to 15 percent will further highlight the price differential between New Zealand based inbound tour operators and their overseas counterparts, drastically reducing our long term competitiveness and viability.

Despite long running discussions with both politicians and officials to make them aware of the inequities it appears they have decided to press on which is disappointing in light of the

**“Thanks Marlborough”  
ITOC CONFERENCE 2010**



Prime Minister and Minister of Tourism's acknowledgement of tourism as a key export industry.

During the year ITOC began negotiations with the Department of Conservation in regards to the 'guiding concessions' on behalf of inbound operators. Due to being in a negotiation phase, a moratorium was granted by DoC for the 2010/2011 season. Further discussions will continue as both DoC and ITOC are keen to get this issue resolved.

Strategically ITOC continued to support our national body, the Tourism Industry Association, whilst focussing on the inbound sector and the specific issues surrounding it.

ITOC's core business is "stimulating tourism business" in the business to business (B2B) space. In addition to developing and servicing commercial relationships between companies across the travel distribution chain, ITOC is committed to enabling its partners to enhance their business performance by driving for improvements in product and service quality.

At the December 2010 Symposium it was mooted with members that perhaps it is time for ITOC to have a profile change and transform the ITOC offering. One suggestion was a name change to include the words 'tourism and export' as our partners in Australia did several years ago. Views from members will be canvassed in the coming period re the name change and how we can improve our representation and position in the industry.

On an international level ITOC maintained a strong relationship with our Australian counterpart, the Australian Tourism Export Council (ATEC), as well as the Pacific Asia Travel Association (PATA) to provide a global perspective for our members.

This year six board meetings were held in Auckland (April), Auckland (June), Blenheim (August) Auckland (September), Wellington (December) and Hokitika (February). Annual regional centre visits like the one to Hokitika are combined with industry networking functions to strengthen ITOC's profile and raise the awareness of distribution in our industry. However due to the February 22 earthquake, the February meeting was cancelled and rescheduled for May 2011.

## MEMBERSHIP

At the end of the year under review ITOC consisted of **38** full inbound tour operator members (up 2 from the previous year) and **192** allied supplier members (down 6).

Whilst Allied Membership levels showed a decrease we remain cautious as to the affects the economic climate and Christchurch earthquakes are having on membership. With the new strategic plan, membership and how ITOC can add more value to members are a high priority.

## MARKETING AND PUBLICITY

Good communication is paramount to any successful trade association and ITOC has always benefited from a strong networking culture. During the year our ITOC News email newsletters continued on a regular monthly basis and more emphasis was placed on our web site as a membership tool. Our annual ITOC *Inbound Travel Directory* remained the primary printed collateral for the organisation and was again included in the larger and more widely distributed *Travel Industry Directory & Information Guide* produced in conjunction with *Traveltrade*. *The ITOC Inbound Travel Directory* was again distributed to all overseas buyers attending the annual TRENZ trade exhibition.

Social media updates with Twitter and Facebook are done regularly with Twitter showing more interactive membership response than Facebook.

## Annual Conference

The ITOC Conference was held in Blenheim, Marlborough for the first time ever during August 2010. Despite the tough economic times 237 delegates in total attended, including 30 local tourism operators who joined us for the Tourism New Zealand Market Update sessions.

Tourism BOP was the successful bidder for the 2011 Conference which will be held at the Sebel Trinity Wharf Hotel in Tauranga during August 2011.

## Members Forums

Our members always value getting together to discuss issues, network and socialise. Our December Member Update and Christmas Networking Function that is now a firm part of the industry calendar each December in Auckland was again a great success with over 200 members and guests attending the event at the RENDEVOUS.

Additional Full Member Forums to focus on issues facing inbound tour operator members also occurred in May (Auckland), August (Blenheim) and December (Auckland).

## TRENZ

Over 150 ITOC Members exhibited at TRENZ in May 2010 in Auckland — that's around half of all exhibitors and two thirds of all ITOC members! In addition many ITOC Full Member Tour Operators were present as buyers. ITOC this year had a booth which served as a great networking base for members and other key agencies.

## Operator of the Year

We congratulate **Intercity (NZ) Ltd** on being elected the ITOC 'Allied' Operator of the Year for 2010.

ITOC Full Member inbound tour operators nominate allied supplier members for the award. The board then assesses those nominated based on a points system and they choose



three finalists. These finalists are then assessed by all Full Members and they vote for the winner. Other finalists were **Johnstons Coachlines (NZ)** and **Limousine Services**, Queenstown.

In 2009 it was agreed that the awards should be broadened in 2010 by adding an ITOC Inbound Tour Operator of the Year Award that would be awarded to a Full Member inbound tour operator as voted for by Allied supplier members. The inaugural winner of the Inbound Operator of the Year was **Pan Pacific Travel** with finalists **AOT Inbound** and **Pacific Destinationz**. Congratulations to all the finalists and winners.

The management of the Intercity (NZ) Group and Pan Pacific Travel received the annual awards at the ITOC conference in Blenheim.

## STANDARDS & PERFORMANCE

### Membership & Financial Criteria

ITOC has now completed a third full year since changes were made to the ITOC Membership & Financial Criteria removing provisions for annual financial assessments of Full Members.

At the AGM in August 2010, three 'notices of motion' were made to:

- a. increase the full and allied membership fees by 2.9% (first increase since 2008)
- b. that the budget for 2010/2011 be approved
- c. the Presidential allowance remain at \$10,000. At the meeting an amendment to the motion was made to increase the allowance to \$12,000 which was passed.

### QUALMARK

All Full Member inbound tour operators must be Qualmark accredited under the Inbound Tour Operators endorsed criteria.

Since committing to Qualmark as a compulsory part of our full membership criteria ITOC believes that overall standards have improved and the benefits have been seen by both members and the wider industry alike.

### GST Payment by Full Members

Over the past year this item has remained the single most important issue for full members.

New Zealand based inbound tour operators are disadvantaged by competing Australian based tour operators. Inbound tour operators who package New Zealand products and sell them overseas are the only exporters to be penalised by the proposed increase in GST.

This is because their service fee is subject to GST unlike other professional service providers like accountants, IT consultants and engineers who can zero rate their fees for services exported.

Several of the largest inbound tour operators active in the New Zealand market are fully owned by overseas interests. Margins in our business are very thin and a pricing differential based on the GST component can be quite significant. ITOC remains concerned that some New Zealand inbound tour operators could either close down or relocate to Australia to better compete.

As well as ITOC itself, a GST Action Group made up of a small number of ITOC and non-ITOC inbound tour operators continued to lobby Government for wider outcomes into 2010. Both groups were strongly supported by TIA.

When it was announced in the May 2010 Government Budget that GST would increase from 12.5 percent to 15 percent, we commented that it would further highlight the price differential between New Zealand based inbound tour operators and their overseas counterparts, drastically reducing our long term competitiveness and viability.

Full reports, analysis and examples of how inbound operators would be affected by the short lead in time, unfortunately with the best legal advice, made little difference.

The Board and GST Action Group are considering contracting externally an economic impact report on the contribution of inbound operators to the economy.

## INDUSTRY RELATIONS

### MoU's

We have continued maintaining business relationships through Memorandums of Understanding with key business partners including those with the New Zealand Hotel Council (NZHC), Regional Tourism Organisations of New Zealand (RTONZ), the Tourism Industry Association of New Zealand (TIANZ), Qualmark and the New Zealand Maori Tourism Council (NZMTC). These MoU's are revisited annually to ensure they remain valid and provide value for both parties.

ProGuides New Zealand and the Board are discussing the merits of having a Memorandum of Understanding. It is hoped that a draft MoU document will be available for discussion early 2011.

Under the terms of the RTONZ MoU we again participated in the annual ITOC/ITO Trade Day in Auckland, organised by Tourism Auckland during April 2010. This was very successful and attracted 25 RTO exhibitors and almost 100 ITOC Full Member product buyers and front-line staff.

## DoC National Concession

In 2007 the Bus and Coach Association signed a concession agreement with the Department of Conservation requiring coach operators to have a concession to operate on the DoC estate. Over the past two years this has been renegotiated and finally signed off at the end of the period under review.

All coaches now need to have a concession in place to drive on, park, disembark and embark passengers on DoC land. Because BCA has a collective concession it makes it easier for ITOC members to use BCA members when chartering coaches.

ITOC has had several meetings with DoC to discuss wider guiding concessions which are outside the BCA concession. The likely outcome could see a national concession between DoC and ITOC which would cover guiding operations from coaches for short walks up to three hours in nominated locations, with a similar administration process to BCA.

However at the meeting in March 2011, DoC presented ITOC with the 'standard concession' model which would be highly labour intensive and expensive for inbound operators to monitor and report. Negotiations will continue and it is hoped that this can be finalised for the 2010/2011 season.

Ultimately, a successful outcome could provide ITOC members with a distinct advantage over non-member inbound operators as the cost and time involved in negotiating individual concessions would be onerous. ITOC hopes that it will be seen as a new full member 'benefit'.

## Tourism New Zealand

ITOC continues to be fully supportive of Tourism New Zealand's efforts in the marketplace. Once again we appreciate the support Tourism New Zealand has shown ITOC particularly at our annual conference where their Market Update sessions are a highlight.

ITOC welcomed incoming Chief Executive Kevin Bowler and a revised strategic direction for the organisation. It was pleasing to note the increase in funding in the May 2010 budget for Tourism New Zealand. Acknowledging that TNZ has to carefully manage its limited resources ITOC continues to lobby for higher priority to be given to new and emerging markets and to promote joint venture initiatives between the private sector and government as one of the best ways to undertake measureable marketing activity overseas.

## SECRETARIAT

In December 2010, after five and a half years as Chief Executive, Paul Yeo resigned from his position with ITOC to take up a position with Tourism New Zealand – General Manager, Tourism Operators. As the Chief Executive his role was 50/50 basis split between ITOC and TAANZ.

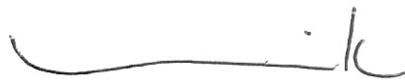
With the resignation, both Boards took the opportunity to review their structures and agreed that going forward, both organisations would have independent Chief Executives, working from the same location with shared services.

Andrew Olsen (Chief Executive TAANZ) and I, with our Boards, wish to thank Paul very much for his dedicated service and support to its members and wider industry. We look forward to working with you in your new role. Congratulations and thank you Paul!

Charlie Ives who shared his role between ITOC, TAANZ and RTONZ, is now the fulltime Executive Officer of RTONZ. NZ Institute of Travel & Tourism National Secretary Anne Reid, who works from our premises, provides occasional assistance to both ITOC and TAANZ.

TIA continues to provide accounting and IT support on contract which allows us to operate efficiently.

My thanks go to Anne and Charlie as well as ITOC President Brian Henderson and other board members for their support to me as the new Chief Executive.

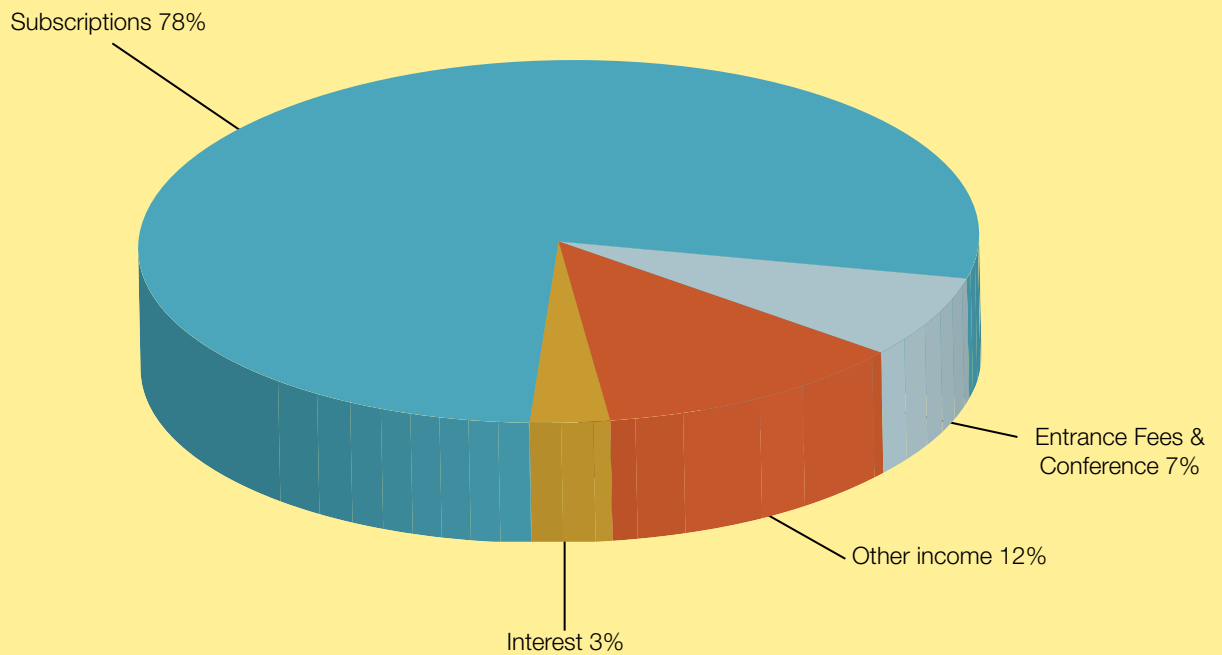


**Lesley Immink**

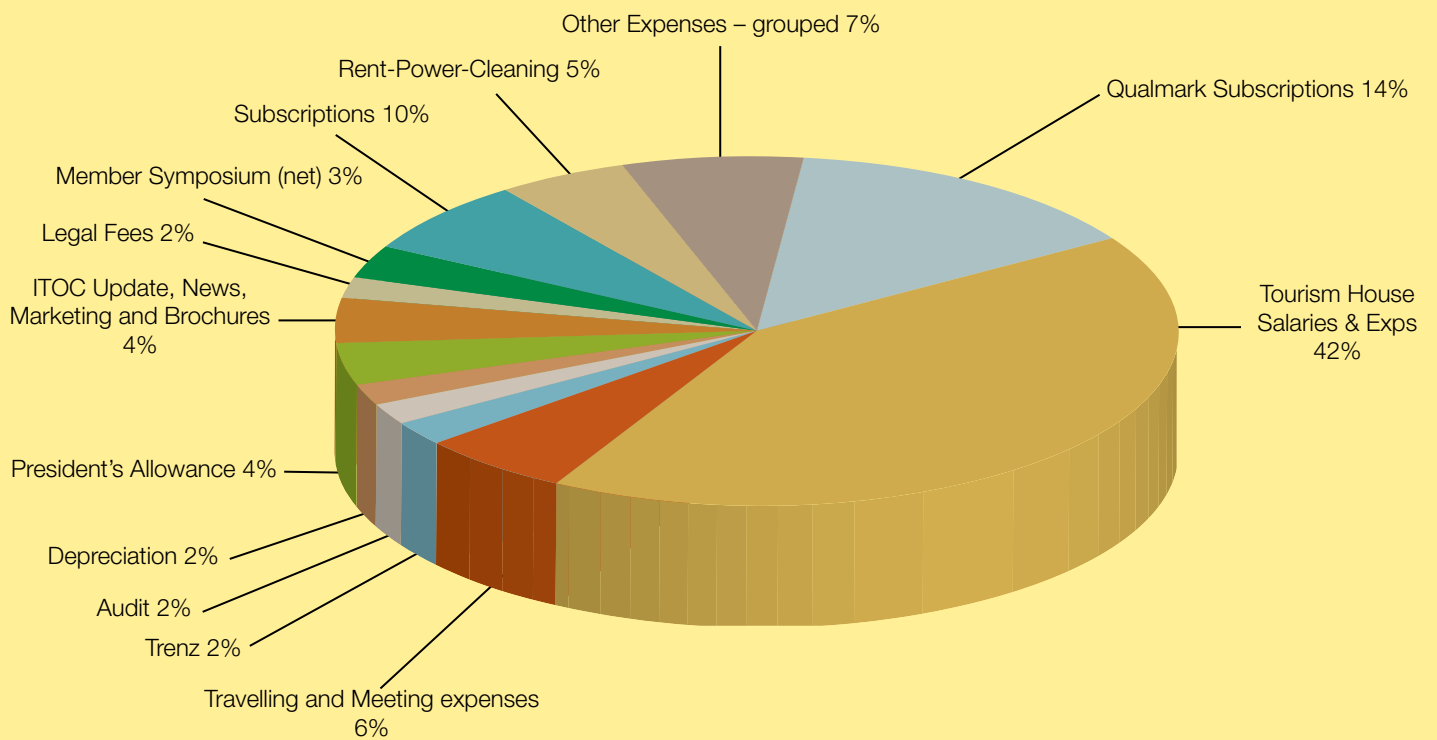
Chief Executive

# ANNUAL ACCOUNTS

## Where ITOC gets its income



## How ITOC spends your fees





Grant Thornton

## Independent Auditor's Report

**Audit**

Grant Thornton New Zealand Audit  
Partnership  
L13, AXA Centre  
80 The Terrace  
PO BOX 10712  
Wellington 6143

T +64 (0)4 474 8500  
F +64 (0)4 474 8509  
www.granthornton.co.nz

### **To the Members of the Inbound Tour Operators Council of New Zealand (ITOC)**

#### **Report on the Financial Statements**

We have audited the financial statements of Inbound Tour Operators Council of New Zealand on pages 4 to 8, which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Council Members' Responsibilities**

The council members are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the council members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibilities**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm carries out other assignments for the Inbound Tour Operators Council of New Zealand in the area of taxation advice. We have no other relationship with, or interests in Inbound Tour Operators Council of New Zealand.

#### **Opinion**

In our opinion, the financial statements on pages 4 to 8 present fairly, in all material respects, the financial position of Inbound Tour Operators Council of New Zealand as at 31 March 2011, and its financial performance, for the year then ended in accordance with generally accepted accounting practice in New Zealand.

Grant Thornton New Zealand Audit Partnership  
Wellington, New Zealand  
27 July 2011

Chartered Accountants  
Member of Grant Thornton International Ltd

# INBOUND TOUR OPERATORS COUNCIL OF NEW ZEALAND INCORPORATED

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31st MARCH 2011

<b>INCOME</b>	<b>2011</b>	<b>2010</b>
Subscriptions Received	217,415	211,317
RTONZ-Secretariat fee	27,271	29,750
Entrance Fees	1,189	1,400
Industry Directory & Info Guide	-	5,475
<b>Conference</b>		
Conference Income	126,094	109,987
Conference Expenses	(108,005)	(87,759)
Conference Surplus	<u>18,089</u>	<u>22,228</u>
Other Income	7,000	7,000
Interest Received	<u>8,350</u>	<u>6,688</u>
	15,350	13,688
	<u>279,314</u>	<u>283,858</u>
<b>EXPENDITURE</b>		
Advertising	1,235	1,213
AGM/Annual Report	2,525	2,397
Audit	4,300	3,850
Computer Expenses	1,937	1,733
Depreciation	5,020	5,459
Doubtful Debts	-	2,363
President's Allowance	12,000	10,000
Insurance	1,537	2,541
ITOC Internet / Website	3,267	3,341
ITOC Update, News, Marketing & Brochures	10,215	5,122
Bank charges & Interest Paid	1,595	120
Industry Directory & Information Guide	-	5,170
Legal Fees	4,611	2,044
Members Symposium (net)	7,950	11,645
Subscriptions	20,370	19,248
Postage & Telephone	2,837	2,584
Printing & Stationery	1,062	4,292
Recruitment	1,035	-
Rent-Power-Cleaning	14,169	14,466
Qualmark Subscriptions	22,066	5,689
Special Projects	3,558	5,243
Tourism House Salaries & Expenses	117,656	119,333
Travelling & Meeting Expenses	17,567	16,995
TRENZ	<u>5,538</u>	<u>1,208</u>
<b>Total Expenditure</b>	262,050	246,056
Net Surplus / (Deficit) for Year before tax	<u>17,264</u>	<u>37,802</u>
Less Income Tax Expense	1,645	816
<b>NET SURPLUS / (DEFICIT) FOR YEAR AFTER TAX</b>	<u>15,619</u>	<u>36,986</u>

The accompanying notes form part of these financial statements.

## INBOUND TOUR OPERATORS COUNCIL OF NEW ZEALAND INCORPORATED

### STATEMENT OF MOVEMENT IN EQUITY AS AT 31st MARCH 2011

<b>MOVEMENTS IN EQUITY</b>	<b>2011</b>	<b>2010</b>
Total recognised Revenues	279,314	283,042
Total recognised Expenses	<u>263,695</u>	<u>246,056</u>
Surplus / (Deficit) for Year	15,619	36,986
Balance at Beginning of year	170,604	133,618
<b>TOTAL EQUITY</b>	<b><u>186,223</u></b>	<b><u>170,604</u></b>

The accompanying notes form part of these financial statements.

**INBOUND TOUR OPERATORS COUNCIL OF NEW ZEALAND INCORPORATED**  
**STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2011**

	Notes	2011	2010
<b>CURRENT ASSETS</b>			
Bank Current Account	3,102		5,989
Bank Call Accounts	3,964		1,629
Bank Term Deposits	150,000		130,712
Accounts Receivable	1,192		3,173
Accrued Income	1,324		669
Prepayments	23,449		19,225
GST Refund	3,900		4,907
Taxation Refund	1,222		2,222
	<hr/>	188,152	<hr/> 168,526
<b>CURRENT LIABILITIES</b>			
Accounts Payable	3,056		339
Provision for Doubtful Debts	-		2,363
Accruals	3,200		4,568
	<hr/>	6,256	<hr/> 7,270
<b>Total Liabilities</b>		6,256	7,270
<b>Working Capital</b>		<b>181,895</b>	<b>161,256</b>
<b>Non Current Assets</b>			
<b>Fixed Assets</b>	<b>2</b>	4,328	9,348
<b>NET ASSETS</b>		<hr/> <b>186,223</b> <hr/>	<hr/> <b>170,604</b> <hr/>
<b>EQUITY</b>		<hr/> <b>186,223</b> <hr/>	<hr/> <b>170,604</b> <hr/>

**FOR AND ON BEHALF OF THE COUNCIL**



.....**Chief Executive**

**Date:**

The accompanying notes form part of these financial statements.

# INBOUND TOUR OPERATORS COUNCIL OF NEW ZEALAND INCORPORATED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### 1 STATEMENT OF ACCOUNTING POLICIES

#### REPORTING ENTITY

The Inbound Tour Operators Council of New Zealand Association Incorporated is registered under the Incorporated Societies Act 1908. The Association qualifies for differential reporting as it is not publicly accountable and it is not large as defined by the Framework for Differential Reporting. The Association has applied all the differential reporting exemptions available to it. The financial statements have been prepared in accordance with generally accepted accounting practice.

#### MEASUREMENT BASE

The measurement base adopted is that of historical cost. Accrual accounting is used to recognise revenues and expenses when they occur.

#### SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied:

##### Revenue

Income is recognised when invoiced and upon receipt.

##### Depreciation

Depreciation is calculated on straight line basis at rates that will write off the cost of assets over their estimated useful life, which are as follows:

Fixtures & Fittings	5 years
Leasehold Improvements	6 years
Office Equipment	3 years

##### Financial Instruments (Cash and Short term deposits)

The Entity uses non-derivative financial instruments as part of its normal operations. These financial instruments include: bank accounts, term deposits and debtors. The entity does not use derivative financial instruments. All financial instruments are recognised in the Statement of Financial Position at their fair value.

##### Investments

Investments are valued at cost plus accrued interest. There is three Term Deposit with National Bank with a market value of \$151,314.

##### Fixed Assets

Fixed assets are recorded at historical cost less allowance for accumulated depreciation.

Leasehold Improvements relate to a 50% share of the cost of the office fitout for premises leased by the Travel Agents Association of NZ (TAANZ). Office expenses are shared equally by TAANZ and ITOC

##### Goods & Services Tax:

The financial statements have been prepared on a GST exclusive basis.

##### Related Party Transactions

Office space is shared with Travel Agents Association NZ, overheads are split between the organisations. An employee splits their time between the two organisations and a salary adjustment is made.

##### CAPITAL COMMITMENTS

There are no capital commitments at 31 March 2011 (2010 nil)

##### CONTINGENT LIABILITIES:

There are no contingent liabilities at year end (2010: Nil).

##### CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies which have been applied on bases consistent with those used in previous years.

##### TAXATION

Taxation has been provided on the income earned by the Association on transactions outside of it's membership. The Association is not liable for the tax on it's dealings with members. A prior period adjustment of \$1,015 is included in the tax expense. This is a correction to the 2009 Residual Income tax amount.

The accompanying notes form part of these financial statements.



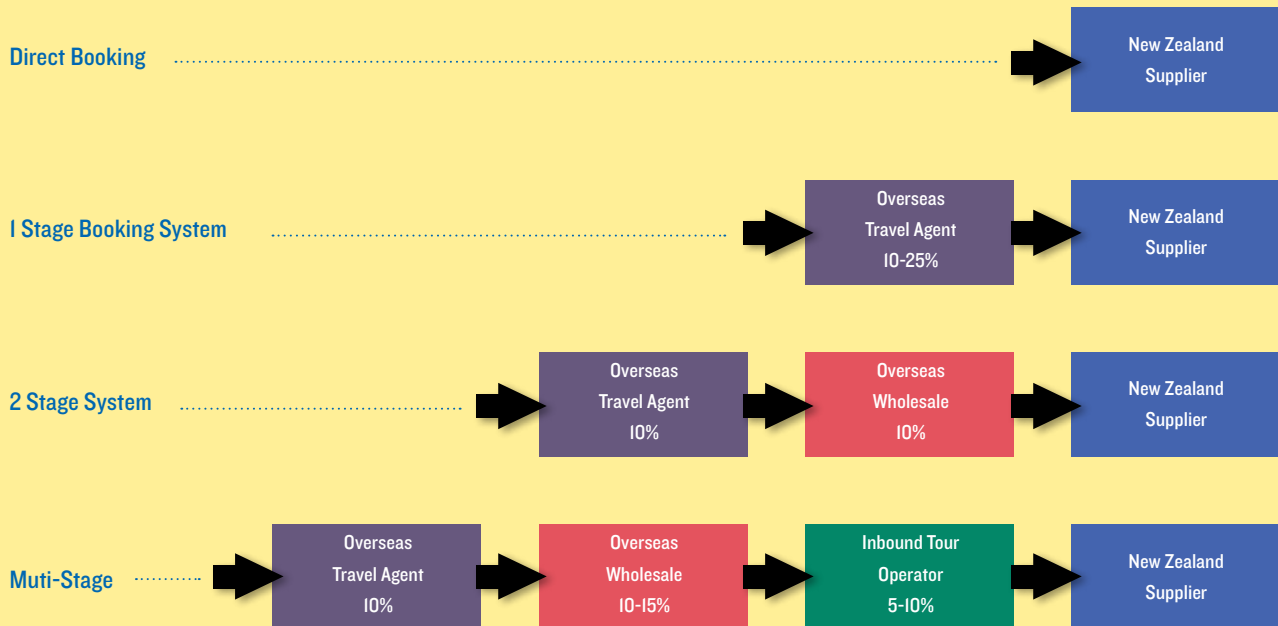
**INBOUND TOUR OPERATORS COUNCIL OF NEW ZEALAND INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED**  
**31st MARCH 2011**

**2 FIXED ASSETS**

	2011				2010			
	Cost	Accum Depn	Book Value	Depn	Cost	Accum Depn	Book Value	Depn
	\$	\$	\$	\$	\$	\$	\$	\$
Fixtures & Fittings	8,446	8,034	412	1,690	8,446	6,345	2,101	1,689
Leasehold Improvements	14,759	11,082	3,678	2,509	14,760	8,574	6,186	2,509
Office Equipment	3,821	3581.44	239	821	3,821	2,760	1,061	1,261
	27,025	22,697	4,328	5,020	27,027	17,679	9,348	5,459

These Notes form part of the Financial Statements

# HOW DOES THE ITOC DISTRIBUTION SYSTEM WORK?



OVERSEAS VISITORS (\$100)



TRAVEL AGENT Commission 10% (\$10)



WHOLESALER Commission 10-15% (\$10)



Full Member

INBOUND TOUR OPERATOR 5-10% (\$5)

ITOC full members tour operators make regular sales calls on overseas wholesalers and travel agents and, through these new business relationships, they market the services and products of allied member suppliers on a preferred basis.

Although the marketplace is price-driven and very competitive, product suppliers include sufficient margin for full member tour operators to work the market effectively and to pay recognised commissions to wholesalers and travel agents overseas.

The ITOC full member is your “one stop shop” for marketing your products and services. They will provide you with business and save you time, cost and marketing effort in going to the market.

The ITOC Full member has the contacts, the knowledge and is your marketing arm to increase your business.

# TEN REASONS FOR USING AN INBOUND TOUR OPERATOR:

## 1. Bookings made easy

It's as simple as sending an email or a fax. An Inbound Tour Operator in New Zealand will coordinate communication between New Zealand ground and air suppliers and provide the information you need - in a single package.

## 2. Local advice and planning

There is nothing like local knowledge. An Inbound Tour Operator will give you a first-hand view of the local scene. These are people who have travelled the length and breadth of the country, who stay in the same hotels they recommend and who fly regularly on New Zealand routes.

## 3. Service from people you trust

An Inbound tour Operator acts just like your own branch office in New Zealand. Your request takes top priority because an Inbound Tour Operator is virtually an extension of your business.

## 4. Specialised itineraries and incentives

New Zealand is fast becoming a popular destination for incentive programmes and specialised group tours. For these specific itineraries, an Inbound Tour Operator offers invaluable help in coordinating the many details that make for successful group travel.

## 5. Local guides and interpreters

An Inbound Tour Operator will arrange sightseeing with an experienced and knowledgeable guide in any New Zealand city or exciting resort and wilderness areas. Interpreters in many languages can also be booked through an Inbound Tour Operator.

## 6. Confidential agents tariffs and brochures

To allow you to quote and plan accurately, you will receive regular communications giving updates on tariffs within New Zealand.

## 7. Attractive volume rates

An Inbound Tour Operator can negotiate on your behalf with hotels and other suppliers for the best available rates.

## 8. Total coordination of tours

An Inbound Tour Operator will draw together the many aspects that make travel in New Zealand so rewarding. Many different travel combinations can be planned and organised to the last detail, to suit individual client requirements.

## 9. Up-to-date information

When changes occur, you will know about them. Inbound Tour Operators keep you informed about a range of topics that may have an effect on your business.

## 10. On-the spot handling of emergencies

Even the best planned travel can have problems. How much easier they are to solve when there is a capable person on the spot. Accidents, cancellations, loss or theft of belongings - these are just a few of the many situations that can be handled with maximum tact and a minimum of fuss by an Inbound Tour Operator.

